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PROGRESS REPORT ON THE STRENGTHENING OF SUBREGIONAL ECONOMIC INTEGRATION PROCESS AND THE ESTABLISHMENT OF THE AFRICAN ECONOMIC COMMUNITY

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INTRODUCTION

1. With the creation on 17 February 1989 of the Maghreb Union (MU), Africa took yet another step towards the integration of its economies and passed a major milestone in its march towards the ultimate objective of the Final Act of Lagos (FAL): the establishment of an African Economic Community. Every subregion now has, in effect, a major economic grouping. While the areas covered are roughly comparable, the economic groupings, however, vary considerably in population size and in economic endowment or deficiencies. Some of them abound with energy resources but have limited agricultural potential. Others have substantial agricultural, forest and livestock resources but the local processing of those resources is slow-coming. Yet others (in this case the majority) have problems to develop trade among their members for lack of adequate transport infrastructure or financial and commercial mechanisms.

2. Furthermore, because they were established at different times, these groupings are not at the same stage of economic integration. While some are approaching the stage of a customs union, others are still discussing the mechanisms of a free trade area if they are not simply daunted by the prospects of the loss of customs revenue to some of the member States. Other groupings have abandoned trade promotion for sectoral integration. Interestingly, it is not necessarily the oldest groupings that have made the most significant progress towards the objective of economic integration. The strategy pursued and the commitment of member States have often played a crucial role.

3. In spite of such a lack of uniformity in economic integration among the various subregions and may be precisely because of that, it has become urgent to harmonize the process of economic integration among the subregions. Even those subregional groups currently existing, remain economically weak and need to strengthen and complement each other. The African Economic Community cannot take off and function effectively if the components on which it should be launched are overly disparate.

4. Ten years after the adoption of the FAL, time seems to have come to assess to what extent it has been implemented and its provisions incorporated by African States in their national, subregional and regional policies. Although it spells out, as an appendix, some of the modalities for the actual implementation of the Lagos Plan of Action (LPA), especially as regards the objective of collective self-reliance, the FAL is much less known than the LPA. In order to review Africa's achievements in respect of the provisions of the FAL, it seems necessary to recall its content and purposes.

5. After reaffirming their "full adherence to the LPA", the Heads of State and Government have renewed their "commitment to set by the year 2000, on the basis of a treaty to be concluded, an African Economic Community ...". They "authorized" the Secretary-General of the OAU to "appoint a Drafting Committee at ministerial level to prepare the draft of the treaty ...". Finally, Heads of State and Government set up stages through which the establishment of the African Economic Community should be achieved. During the decade of 1980s, they decided to:

(a) Strengthen the existing regional economic communities and establish other economic groupings in the other regions of Africa so as to cover the continent as a whole (Central Africa, Eastern Africa, Southern Africa and Northern Africa);

(b) Strengthening effectively sectoral integration at the continental level and particularly in the fields of agriculture, food, transport and communications, industry and energy; and

(c) Promote co-ordination and harmonization among the existing and future economic groupings for a gradual establishment of an African Common Market.

6. During the decade of the 1990s, they decided to:

(a) Take steps for further sectoral integration:

(i) Harmonization of our strategies, policies and economic development plans;

(ii) Promotion of joint projects particularly in the above-mentioned economic fields; and

(iii) Harmonization of our financial monetary policies.

(b) Take measures to effect the establishment of an African common market and other measures that would lead to the attainment of the aims and objectives of the African Economic Community.

7. This paper will examine the following:

(a) The structure of the African economic integration at subregional and regional levels;

(b) Review the achievements of the African Economic Communities;

(c) Describe the causes of the slow process of economic integration in Africa; and

(d) Make proposals for strengthening sectoral integration and for setting in motion the process of economic integration in Africa.

I. THE ESTABLISHMENT OF STRUCTURES

8. As regards the structures for fostering economic integration in Africa, necessary steps had already been taken prior to the FAL. The latter only helped speed up the process in some subregions.

9. Indeed Africa did not even wait for the independence wave of the 1960s to institute economic co-operation. Many countries that were still under colonial domination were made to establish formal economic relations with their neighbours. Since independence, this movement has extended over wider entities, namely subregions.

A. Economic co-operation in Eastern and Southern Africa

10. The origin of this co-operation can be traced back to 1917 when Kenya and Uganda formed a Customs Union that Tanzania joined in 1927. The Union was characterized by common customs tariffs, common transport and communications services, and a single currency. An agreement signed among the three countries in 1965 in Kampala, sought to solve the problem of inequitable distribution of production units and Union benefits. Finally, a treaty signed in June 1967 and which came into force in December of the same year, established the East African Community which, besides maintaining the customs union, was responsible for providing major joint services by way of an airline, a railway company, posts and telecommunications, ports and later on, a development bank.

11. The success of the East African Community was admired by other countries of the subregion. Thus, in a bid to extend such co-operation to other countries, a meeting was held in Lusaka in 1965 which set up an Interim Ministerial Council assisted by an economic committee pending the negotiation and signing of a treaty to create the East African Economic Community. During its first meeting held in Addis Ababa, in 1966, the Interim Ministerial Council prepared a protocol of association among East African countries which was to serve as an institutional framework for mutual co-operation until such time as a treaty would be duly concluded. Unfortunately, this initiative was not followed up despite recommendations of the first Economic Committee meeting held in Addis Ababa, in November 1967. Paradoxically, the dismantling of the East African Community in 1977 gave a thrust to the recommencement of negotiations to set up an economic grouping comprising Eastern and Southern Africa. In fact, with the mandate entrusted to it in 1966 by the Interim Ministerial Council to prepare a draft treaty to set up an East African Economic Community, the United Nations Economic Commission for Africa (ECA) gave a new lease of life in 1978 to the negotiations by organizing a series of sectoral and global meetings at the technical and ministerial levels. The outcome of those negotiations was the signing at Lusaka in December 1981, by 10 States, of the Treaty for the establishment of the Preferential Trade Area for Eastern and Southern African States(PTA). The Treaty came into force in 1982. Other States within or outside the Eastern and Southern African subregion stricto sensu have since acceded to the Treaty or signed it, bringing the current membership of the PTA to 18 member States.

B. Economic co-operation in Central Africa

12. Economic co-operation in the Central African subregion was, at the outset, marked by the fact that the countries concerned belonged to various areas of influence.

13. That is why the countries of French Equatorial Africa (AFE), at the instance of the colonial power, set up in June 1959, the Equatorial Customs Union (UDE). After achieving independence, they held with Cameroon talks which led, in December 1964, to the signing of a treaty establishing the Central African Customs and Economic Union (UDEAC); that treaty came into force on 1 January 1966. Today, UDEAC has six member States with Equatorial Guinea having recently joined the five founding members.

14. On their part, Burundi, Rwanda and Zaire began from 1970 negotiations in which the security issues that predominated at the outset have gradually given way to economic issues. The Economic Community of the Great Lakes Countries (CEPGL), resulting from an agreement signed in

September 1976, was the outcome of those negotiations. Protocols to the agreement and other instruments subsequently adopted have broadened the scope of co-operation among CEPGL member States.

15. The need to provide Central Africa with an economic integration entity comprising all countries of the subregion, led the 11 Heads of State of the Central African subregion, including Angola, to sign in December 1981 the Libreville Declaration by which they formally pledged to integrate their countries in a single economic entity. Negotiations beginning in March 1982 ended in October 1983 with the Treaty establishing the Economic Community of Central African States (ECCAS) which came into force in December 1984. ECCAS has 10 member States, namely the UDEAC and CEPGL countries that have been joined by Sao Tome and Principe.

C. Economic co-operation in West Africa

16. In West Africa, economic co-operation has also suffered from the vicissitudes of colonization.

17. Thus, the territories of French West Africa (AOF), set up in 1959 the Customs Union of West African States (UDEAO). After the instruments were revised in 1966 to incorporate lessons learned from experience, UDEAO was transformed in 1972 into the West African Economic Community (CEAO). Today, it has seven member States, all French-speaking. Similarly, Liberia and Sierra Leone set up in 1973 the Mano River Union that Guinea joined a few years later.

18. But like other subregions, West Africa also decided to organize itself into a single economic integration entity. It was within this perspective, that a first meeting devoted to economic co-operation in West Africa was held in Niamey in October/November 1966. That meeting made several recommendations designed to pave the way for a West African Economic Community. In April/May 1967, a second similar meeting held in Accra adopted a Protocol of Association in order to establish the West African Economic Community. It also instituted an Interim Ministerial Council which held its first meeting in November 1967 which set up a multidisciplinary team to prepare sectoral studies to be used in the negotiations to create the West African Economic Community. It took until 1975 for those negotiations to result in the conclusion of the Treaty establishing the Economic Community of West African States (ECOWAS). Since its inception, the Community has 16 member States one of which also belongs to the Arab Maghreb Union.

D. Economic co-operation in North Africa

19. On ECA's initiative, a meeting, limited to the four Maghreb countries (algeria, Libya, Morocco, Tunisia) was held in Tangier at the beginning of 1964 to consider economic co-operation issues. Experts who participated in the meeting recommended that a conference of Maghreb Ministers of Economic Planning should be organized. This was done on 29 September of the same year in Tunis. The ministers resolved to institute the Maghreb Special Consultative Committee as a provisional institutional co-ordinating structure and an agreement was signed. This agreement governed trade among the partners and started a gradual harmonization of their trade policies.

20. It was in Tangier in June 1966, that the first meeting was held on the establishment of multilateral economic co-operation ties among all countries of North Africa. Even though the

recommendations on institutional mechanisms were not adopted, the meeting, nevertheless, suggested that the six countries concerned should exchange information on their respective potentials in the area of maritime transport in order to promote maritime co-operation and accord each other air traffic facilities so as to improve air transport links among them.

21. At the end of that meeting, ECA proposed to undertake a certain number of sectoral studies to identify co-operation possibilities that could serve as support to a negotiation process identical to that which had taken place in other subregions. Unfortunately, for various reasons, the talks did not make much progress and the development of co-operation was limited to the bilateral framework. However, in 1981, ECA undertook a fresh series of studies, with the same objective, but within a different and perhaps a more favourable context. For, it had been hoped that the agreement concluded between Egypt and the Sudan could reactivate the negotiating process. And indeed, in 1987, the North African MULPOC Council of Plenipotentiaries adopted a resolution calling on member States to start talks in order to establish a preferential trade area in North Africa. The ECA Conference of Ministers endorsed that resolution and the Intergovernmental Negotiating Team (INT), held its first meeting in December 1987 and a second in February 1988.

22. Concurrently to this initiative, the Maghreb countries started talks which led to the signing of the Treaty establishing the Arab Maghreb Union (UMA) on 17 February 1989.

23. One of the consequences of the birth of UMA was that Egypt and the Sudan are not members of this new entity whereas Mauritania, which belongs also to West Africa, has become a member. The momentum to establish a preferential trade area in North Africa has also been slowed down. Egypt and the Sudan will hopefully join the UMA which is not the only case where a subregional organization does not cover all the countries in the subregion: three countries in Eastern and Southern Africa do not belong to the PTA.

E. The African Economic Community

24. In implementation of the FAL, negotiations have been underway since November 1988, within OAU, to set up the Community. It would be wrong, however, to think that continentally economic integration efforts started today.

25. In fact, as far back as April 1958, the first Conference of Independent African States held in Accra recognized the need to promote economic co-operation among African countries. The meeting recommended that each State should set up an economic and research committee, and at the African level, a joint economic and research committee comprising members from all independent African States in order to monitor Africa's economic situation and to make recommendations towards the strengthening of economic co-operation among those countries.

26. The Second Conference of Independent African States held in June 1960 in Addis Ababa, had even more participants. Economic co-operation issues were high on the agenda. The Conference made specific recommendations for the establishment of an African development bank and an African commercial bank. The establishment of an African economic co-operation council was also suggested. That council would have to convene meetings of experts to consider the institution of preferential tariffs among African countries.

27. Shortly afterwards, however, the Monrovia, Casablanca and Brazzaville groups emerged to threaten the unity that the continent needed in order to achieve such economic integration. The May 1963 Conference organized in Addis Ababa, which led to the birth of the Organization of African Unity (OAU) very timely put a stop to those divergent trends. The OAU Charter though essentially political, gave pride of place to economic co-operation.

28. After a series of meetings at expert and ministerial levels, which defined the concept, content and scope of the African Economic Community, the Drafting Committee has drawn up a draft treaty whose main provisions can be summarized as follows:

The establishment of the Community will be gradually achieved over a period of 34 years divided into the following stages:

(a) Strengthening of the existing subregional communities (five years);

(b) Stabilization of fiscal regime applied to intra-subregional trade (eight years);

(c) Establishment of a free-trade area at the level of each subregional economic grouping (10 years);

(d) Co-ordination and harmonization of tariff and non-tariff regimes between the subregional economic groupings (two years);

(e) Establishment of an African Common Market (four years); and

(f) Establishment of the Africa Economic Community (five years).

29. At the institutional level, the draft treaty contains a provision whereby the Community and a restructured OAU will constitute a single organization, with the same organs.

30. The draft treaty makes also provisions for the relationship between the Community and subregional economic groupings which are due to become subsidiaries of the former.

31. Finally, the treaty for the establishment of the African Economic Community is due to be signed in 1991.

32. In view of the foregoing, one may consider that the objectives of the organizational structure of the FAL are close to be attained; all subregions have established their economic groupings and the African Economic Community is about to be created. But has economic integration process made any significant progress in the continent?

II. REVIEW OF THE ACHIEVEMENTS OF AFRICAN ECONOMIC COMMUNITIES

33. Judging from the number of meetings organized on this subject or the institutional mechanisms and structuring established in this respect, Africa has spared no effort to foster its economic integration. But, on scrutiny, the balance sheet reveals rather modest achievements.

34. With regard to their economic integration (and as noted earlier) not all the subregions have advanced at the same pace, at least, in institutional terms.

35. Though the PTA for Eastern and Southern African States has just recently been established, it has already prepared a scheme to liberalize trade among its members. This move has, indeed, been opposed by the less-developed of the member countries. In fact, those countries fear that the opening of their borders would lead to a massive penetration of their markets by products from the more developed countries. A study has, therefore, been commissioned to review the proposed time-table and propose compensatory measures likely to alleviate the effects of trade liberalization on the economies and finance of member States. At the same time, PTA has set up its own development bank which just became operational. Studies are also underway in the areas of transport and communications, agriculture and industry, and they all seek to further integrate structures for the production of goods and services. In another connection, the PTA clearing house effects the bulk of transactions among member States which use very little foreign exchange in their mutual trade dealings. PTA travellers checks are also being issued for use within the zone so as to reduce recourse to foreign means of payment. Generally speaking, the commendable examples aforementioned notwithstanding, it is too early to conduct a fair evaluation of the PTA experience. The situation would have been different had the PTA been established under the defunct East African Community which had already succeeded in setting up deeply integrated structures in certain sectors. The fact that SADCC has given up its own trade liberalization programme to implement that of PTA shows that it is possible for two or more organizations to carry out joint programmes.

36. However, in Central Africa where co-operation has been longer instituted, the integration process has been very slow. The UDEAC evaluation report prepared by ECA in 1981 revealed still current deficiencies of this sub-grouping: the customs union is not effective because there exist tariff barriers within the grouping and a complementary tax which empties the common external tariff of meaning. None of the community's industrial projects identified in 1975 have been executed because the general secretariat in particular, lacked the prerogatives to make them advance; the Union's market has been fragmented by transnational companies for their own benefit because the single tax has failed to play the role assigned to it; finally, the level of intra-community trade is woefully low and its relative share in the external trade of member States seems to be dwindling. The trade liberalization scheme of CEPGL, which, moreover, was not among its priorities, has not really taken off, and even when it becomes effective physical obstacles will render trade expansion difficult until they are overcome. On the other hand, studies underway at CEPGL, should lead in a shorter or longer time, to the joint exploitation of certain natural resources such as methane gas from the Kivu lake, forests and peat. CEPGL and UDEAC are both endowed with development banks. ECCAS, the most recent economic integration organization of the subregion is, in conjunction with the two other organizations, striving to ensure some co-ordination and should try to accomplish a physical integration of the subregion without which, intra-community trade cannot be expanded nor the

productive sectors restructured. Besides basic issues relating to the choice of programmes liable to promote economic integration, effectively, there is, in this subregion a problem of harmonizing activities amongst three similar organizations which use different resources: whereas trade liberalization has, for long, been the driving force of economic integration within UDEAC, it has only just been recently included in the CEPGL programme.

37. Just like Central Africa, West Africa has three economic integration entities namely, ECOWAS, CEAO and the Mano River Union. Pursuant to an ECOWAS resolution which seeks to maintain only one such organization in West Africa, a programme to harmonize the sector activities of all intergovernmental organizations of the subregion is being implemented, the ultimate objective being to transform the other West African intergovernmental organizations into ECOWAS specialized agencies. In this subregion, there is a problem of trade harmonization and programming: CEAO happens to be the oldest organization and is well ahead of the others. Rather than slow down the CEAO programme in order to align it with that of ECOWAS, the ECOWAS programme should be accelerated. This would not be done without causing some harm. In other sectors, co-operation is, to say the truth, little developed and the situation of intra-subregional trade is little better than elsewhere (CEAO member States excluded). The West African Development Bank (BOAD) established under the initiative of UMOA mainly to serve CEAO together with the ECOWAS Fund, however, constitute, assets that could be used to speed up the integration process, if only certain obstacles are removed.

38. The special case of North Africa has already been described and cannot be evaluated since the institutional mechanisms for the promotion of economic co-operation within the Maghreb Union are only now being established. It can only be hoped that North Africa will learn from the experience of the rest of Africa in order to better organize its economic integration.

39. The main finding of the review of the achievements of the economic communities is that there is no process of subregional economic integration. Despite the existence of some of them for decades now, African subregional economic groupings have failed to make their impact felt. If they have made any impact, this one is rather negative: member States support financially organizations which do not make any significant contribution to efforts towards the improvement of the economic situation of the continent. This is evidenced by the following:

(a) A low percentage of intra-subregional trade: the average is below 5 per cent and tends to diminish. African trade remains predominantly oriented towards the North, perpetuating the dependence of the continent on exports;

(b) The absence of community enterprises. Whenever they, reluctantly, accepted to establish such enterprises, member States did not take appropriate measures for their smooth operations. The CIMAO experience or rather failure clearly illustrates this absence of determination as regards joint undertakings;

(c) The persistence of customs barriers between member States, in spite of intra-community trade liberalization schemes adopted by many economic groupings;

(d) The absence of genuine common external tariff. When such common external tariff exists by virtue of decisions of policy-making organs, the latter allow member States to apply "transitional" measures which, in some cases, have been in force for almost two decades;

(e) The lack of harmonization of sectoral policies in agriculture, industry, transport, energy, etc. Basic studies for the formulation of such policies do not exist. National selfishness prevails, especially as regards sharing of industrial investment. In the field of energy where the need for co-operation is obvious, some member States are reluctant to undertake the interconnection of their electric grids; even if networks are interconnected, this will entail no obligation for any country to sell electricity to the others. Concerning agriculture, scarce resources are wasted on national research programmes, while a subregional specialization could lead to concrete results in respect of production of selected seeds, improved animal species and vaccines; and

(f) The absence of monetary integration. No real progress has been made in this respect. Where monetary integration exists, decision-making prerogative is not in African hands.

40. In the absence of economic integration process in Africa, national economies performance is far from being optimal and is characterized by:

(a) A low productivity; and

(b) A non-competitive and overprotected production.

41. This results in the persistence of a deep structural economic crisis due to non-viable national economic structures because these national structures are disarticulated. A disarticulated economic structure is characterized by:

(a) Lack of linkage between agriculture and industry: no local production of cheap fertilizers, pesticides, agricultural equipment; and

(b) No local production of competitive basic industrial products: steel, chemical and petro-chemical products; therefore the modernization of key industrial sectors becomes very costly since it requires the importation of those basic industrial products.

42. A cohesive, integrated, viable and non-viable national productive structures can be characterized by the following features:

(a) An autonomous process of internal capital accumulation capable of ensuring the financing of key investment projects;

(b) A well-developed inter-sectoral and intra-sectoral linkages of the key national sectors;

(c) The adjustment between the production and consumption structure with a view to meeting the needs of the economy and the people;

(d) Expanded export sector made more competitive through a national or subregional industrial base and improved economic performance; and

(e) Economies which do not ensure enough production to guarantee the essential capital accumulation.

43. What are the main reasons for such a disappointing performance in respect of economic integration in Africa?

III. CAUSES OF THE INEXISTENT SUBREGIONAL ECONOMIC INTEGRATION PROCESS

44. First of all, the political will to take measures for implementing the basic instruments has never matched the hopes aroused by the enthusiasm of the early years of independence. Petty nationalism has often obstructed projects that would have played a decisive role in achieving the break-through in economic integration. It even seems that the implications of policy measures are not always clearly perceived and understood by the policy makers. And the prospect of losing customs revenue has almost invariably impeded the progress of all the organizations towards trade liberalization. There can be no economic integration with political and economic constraints at the national level: the EEC example illustrates it since each step towards harmonization is labouriously negotiated and always leads to compromises where each member country is more or less fairly compensated for its sacrifices. In the final analysis, constraints have, indeed, had a dynamic effect on national economies which are thus compelled to adapt themselves to the new situation.

45. Furthermore, and fundamentally so the approach pursued by most institutions does not seem to be adapted to the African situation. Trade liberalization seemed to have been preferred by advocates of economic integration in Africa as a means to attain this objective. But then, the EEC model cannot be applied to Africa. This is because when the EEC was set up, European countries had attained a very high production level and there even existed unused capacities which required only to be harnessed to meet the needs of a wider market. Furthermore, a dense network of good quality transport facilitated the movement of goods. Under such conditions, the removal of obstacles to trade had its full meaning. This was not the case in Africa where production units as a consequence of the market fragmentation exportable surpluses. In addition, those units were indirectly enjoying tariff and non-tariff protection. What was more the incomprehensive and poor quality of the transport infrastructure hampers the movement of goods to marketing areas. Finally, the external trade of African countries is oriented towards foreign markets outside the continent and offers few prospects for trade among neighbouring countries because manufactures are often similar: the idea of token specialization angered many countries. There is no denying the fact that trade has a role to play in making available products to where demand exists. But, if supply i.e. production and infrastructure for the transportation of goods do not exist or not at the appropriate level, trade facilitation mechanisms will function in a vacuum as is presently the case. Furthermore, bargaining around trade liberalization schemes is a long-lasting issue because countries with little or no comparative advantages fear loss of revenue likely to occur as a consequence of the removal of trade barriers.

46. Moreover, the economic groupings set up were endowed with resources that fell far below what the mission entrusted to them required. Somehow this can be ascribed to the lack of political will, for the States did not want or were unable to give these groupings the financial autonomy which would have enabled them to initiate decisive integration activities. The EEC example attests to what an organization that has its own resources and does not depend on annual contributions from member States can do. African economic groupings cannot add a new dimension to their action without sufficient funds. The funds needed for the achievement of African economic integration goal will never be provided by foreign countries: the dominant economies will, understandably, try to perpetuate their domination. Economic integration efforts in Africa can only be supported by locally-generated resources.

47. There exist also institutional deficiencies which make it rather difficult for economic groupings to operate effectively. For example, the rule of consensus tends to hinder the adoption and further implementation of decisions absolutely required for setting the economic integration process in motion. In the same vein, the secretariats of many economic groupings are expressly or implicitly denied of powers which are essential for discharging efficiently their duties.

48. One more difficulty arises from the fact that most (if not all) of economic groupings have failed to involve socio-economic groups in the economic integration process. Chambers of commerce, private sector, trade unions, professionals, youth and women's associations etc. are not aware of the objectives of the economic groupings and do not know what is expected from them in this respect. In order to play their role for the benefit of the economic integration, they must be fully involved in the formulation and subsequent implementation of policies and strategies, so that the expectations would not exceed their capacity; economic integration should not be dealt with solely by government officials.

49. Therefore, if genuine economic integration is to be pursued, the approach followed to date should be changed. Not only does the strategy require rethinking, but also the mechanisms need to be reviewed.

IV. PROPOSALS FOR STRENGTHENING OF CO-OPERATION AND INTEGRATION IN PRIORITY SECTORS AT SUBREGIONAL LEVEL

50. If regional economic integration was to be the basic element of a long-term development strategy, the priority sectors of this strategy ought to be spelt out and mutually developed by: (a) integrating production structures starting with production of intermediate and capital goods to be used as inputs in the subregional food security programmes and in the agricultural sector, and strengthening the multisectoral structure of the African economy: (b) integrating the physical infrastructure (transport and communications, energy links) and institutional infrastructure; and (c) integrating the African markets.

51. Promotion of regional integration, by creating the requisite infrastructure and production, will require the involvement of the private sector. This, obviously, does not minimize the role of the public sector in the provision of infrastructure, research and development including extension services, or of appropriate supportive institutions which are crucial for long-term achievements. The State's

role in providing and guaranteeing sustainable multinational infrastructure development is even more crucial. To this end, ECA prepared multisectoral projects to assist African economic groupings in strengthening economic integration.

52. ECA was convinced that economic integration should be defined as a process of co-ordinating and harmonizing sectoral activities at the subregional level and of promoting subregional intersectoral and intra-sectoral linkages through multisectoral planning to create more coherence between various sectoral programmes.

53. It is for these reasons that multisectoral programme formulation for economic integration was centred on three main objectives whose achievement requires an inter-disciplinary approach: (a) creation of a subregional cohesive area; (b) development of a subregional productive structure; and (c) finally, market integration. The creation of a cohesive subregional area requires the development of an integrated transport network in the subregion and the production, transportation and distribution of cheap energy. The attainment of this objective requires a multidisciplinary strategy in the fields of transport, telecommunications and energy. For example, food self-sufficiency requires an increase in industrial inputs, energy inputs and a co-ordinated transport system. By interlocking these three objectives through the multidisciplinary approach, economic communities will be able to avoid misallocation of resources.

V. ECONOMIC INTEGRATION IN AFRICA'S PRIORITY SECTORS

54. Sectoral development strategies are pursued in the framework of the global economic integration strategy and not in isolation. They are carried out in pursuit of the key development objective of self-sufficiency in food production, a dynamic concept which calls for the parallel development of all the priority sectors, viz:

(a) The building-up of a strong industrial base at the subregional level to ensure the efficient production of cheap industrial inputs;

(b) The development of cheap energy to support this industrial development;

(c) The development of an efficient transport system at the national and subregional levels; and

(d) The development of intra-community trade, which would help achieve the above objectives.

A. Food security and the agricultural sector

55. Progress in food security and agriculture have been recognized by African IGOs as vital for stimulating even more rapid progress in other sectors of the economy at the national and subregional levels. If in the long-term, African countries have the most rapid growth in agricultural output and incomes, they should expect to experience a most rapid decline in the relative overall importance of agriculture in the economy. On the contrary, those African countries experiencing the lowest longer-

term agricultural growth and greatest economic difficulties in recent years typically experienced an increase in the agricultural share of their GDP.

56. Action to correct the deteriorating situation in the African region was carried out during Africa's Priority Programme for Economic Recovery, 1986-1990 and this led many African economic communities to adopt programmes of action for the short- and long-term development of agriculture and natural resources. For example, in the West African subregion, the short-term programme gave priority to projects involving the participation of rural communities and contributed to a rapid increase in agricultural production in the areas of water resources control, animal health, fish resources, soil conservation and agricultural research. ECA formulated action projects at the subregional levels, in the following areas:

(a) Control and rational exploitation of water resources;

(b) Drought and desertification control;

(c) Control of animal and plant diseases;

(d) Agricultural research;

(e) Establishment of subregional seed production and animal breeding centres;

(f) Fertilizer and pesticide production;

(g) Financial resource mobilization for large projects with subregional dimensions;

(h) Creation of subregional food security stocks; and

(i) Subregional programme for the production and marketing of agricultural equipment and implements.

B. Transport and communications sector

57. The evaluation of the first United Nations Transport and Communications Decade for Africa, 1978-1988 (UNTACDA) concluded that the objectives of the first decade were, by and large, still valid and should form the basis of the second transport decade. The aims of the first transport decade were: (a) establishing an integrated transport and communications systems in Africa as a basis for the physical integration of the continent; (b) improving the efficiency of national and international traffic; (c) fostering co-operation among African countries in order to achieve self-sustained economic development in accordance with the LPA, and the African programmes for economic restructuring and development.

58. As the lead agency, ECA co-ordinated the programme's implementation at the subregional and regional levels with the co-operation of member States, IGOs, African regional and subregional financial institutions, organizations of the United Nations system and the donor community. However, in the evaluation of UNTACDA's report, it was specifically pointed out that the

subregional economic organizations as well as specialized African IGOs did not participate adequately in the conceptualization, planning or execution of the first decade programme. In view of this and of the importance of IGOs, it is expected that during the second decade they will become a major source of projects and major partners in the development of this sector. Specifically, they are expected to prepare action-oriented projects within the subregions to meet the objectives of the second decade at the national level.

59. On-going ECA programme involve inter alia strengthening of African economic communities in the designing of rational policies and the implementation of development programmes, in the transport and communications sector, that are consistent with the basic orientation and thrust of the integration process. Planned relevant activities in the IGOs multisectoral projects that are already in place include the following:

(a) The rationalization of air transport routing systems;

(b) The development of coastal shipping;

(c) The completion of inter-country road networks; and

(d) The upgrading and extension of rail transport systems.

C. Industry sector

60. As for the industrial sector, industry itself becomes the integrating factor. In the first place, the industrial sector must contribute to increase in agricultural productivity. Subregional programmes have identified a number of priority industries which could help develop fertilizers, pesticides and agricultural machinery. In the second place, the industrial sector must also contribute to the modernization of other priority economic sectors. This calls for the establishment of a solid industrial base by developing such key industries as iron and steel, aluminum, basic chemical and petro-chemical industries with the aim of providing intermediate inputs to the sectors and of strengthening the national industrial structures. This industrialization will aim, therefore, at supporting energy development (production of cables, manufacture of pylons and transformers), major infrastructural projects, construction of transport equipment and other capital goods of primary necessity. It will also allow for the development of a solid and competitive small-scale industry sector which will use local intermediate products and local entrepreneurship.

61. It must be pointed out here that the vicious circle in African industry seems to result from the physical capacity installed outpacing the breadth and depth of capabilities needed to run it efficiently. The framework for a sound management of industrialization, at the national and subregional level will have to take on board the economic agents of the subregions.

62. Planned activities in the IGOs multisectoral projects lay emphasis first on the survey of key industrial enterprises in each subregion that will inter alia look into production costs, capacity utilization, installed capacity, physical conditions of production facilities and financial structures.

63. Secondly, the emphasis was put on the preparation of industrial sectoral plans for key industrial sub-sectors based on demand and supply as well as on existing plant capacity.

64. Thirdly, on the market and prefeasibility studies for key industrial projects identified to determine their viability and to find out the comparative advantage enjoyed by each member State in the subregion.

65. Finally, on activities to promote indigenous industries and African multinational joint ventures.

D. Energy sector

66. In most of the subregions, especially in the West African subregion, the shortage of energy sources and the high cost of imported petroleum have aggravated the economic situation. There is a surplus of hydro-electricity production in some areas, not properly harnessed due to lack of electricity grids to serve the deficit areas. Many power plants in the subregions are not developed, because all the subregional energy needs are not taken into account by market studies.

67. The work done to date in each subregion has not included any comprehensive study on the possibility of jointly developing the hydro-electric power potential of each subregion and its effective mobilization through a network of grids and interconnections, to serve the needs of the subregions.

68. An adequate supply of energy is a basic condition for sound and sustainable development, especially for sound industrial development. The project proposed in this sector will include, first, the study of interconnections between the existing power plants to serve the consumer centres in the subregions; second, the study of the possibility of jointly developing the hydro-electric potential of the subregions. It will examine how existing projects and those underway can be more effectively exploited on priority basis in a subregion. Also, new possibilities for hydro-electric power will be identified and prefeasibility study for their development prepared to meet the future needs of the subregions.

E. Trade and finance sectors

69. An analysis of the trade structures of individual African countries reveals the existence of a wide range of products, exported from Africa to overseas, that can be significantly traded within Africa; for example agricultural products, livestock and industrial goods; still, substantial intra-subregional trade opportunities are being neglected. A number of formidable problems explain the situation. Prominent among them are the deeply-entrenched traditional trade channels and strong financial connections between individual African countries and overseas ex-metropolitan countries.

70. Other constraints on intra-subregional trade include language and historical barriers, customs regulations and procedures, inefficient transport and communication infrastructures, lack of locally-manufactured competitive products, lack of easy intra-regional currency convertibility, lack of market knowledge and a poor network of trade contacts.

71. The objective of the project, in the trade and finance sectors, is the establishment of a single community market by abolishing customs barriers, introducing a common tariff for foreign goods and

having subregional co-operation in terms of currency and finance, in order to boost intra-community trade.

72. However, the project documents in this area, in each subregion, have taken into account the following considerations: in seeking to create a favourable framework for promoting intra-community trade in goods manufactured by member States, careful thought should be given to the modalities for implementing this objective. Every effort should be made to avoid unequal trading, which could result from the States which have more developed production systems taking advantage of the removal of customs duties to flood the less developed countries with their products.

73. Indeed, at the initial stage, the framework for community exchanges should be strengthened through the establishment of a clearing house and by finding ways of making currencies within the subregion convertible as a precondition for stimulating intra-community trade in general goods. However, trade liberalization among member States should be planned in a gradual manner. The hasty granting of preferential treatment to highly competitive consumer goods could block the process of industrialization in the less developed countries of the subregion and aggravate the phenomenon of unequal exchange in the subregional economic communities. Such a situation will not be in accordance with the raison d'être of the community.

74. On the contrary, it is necessary, at the beginning of any process of integration, to reduce drastically or even abolish altogether customs duties on certain priority products. These priority products, which could be either strategic raw materials or intermediate goods or even capital goods, are those that can speed up the process of subregional integration.

75. The logic of integration is that total liberalization of trade does not occur until the national economies which are part of the entity are effectively integrated at the community level. When this has occurred, the abolition of tariffs will stimulate efficiency in the economic apparatus of the community by eliminating unproductive units and correcting minor structural imbalances in the national economies. This will enable all the member States to become both buyers and sellers in the community.

VI. CONDITIONS FOR SETTING THE ECONOMIC INTEGRATION PROCESS IN MOTION

76. There exist basic requirements to be met prior to the launching of a genuine economic integration process.

A. Necessity of commitment: the true meaning of economic integration

77. The way African States have so far dealt with economic integration issues tends to indicate that there is no genuine political commitment on their part. Indeed, there cannot be any economic integration without minimum supranationality. This means that member States must have a clear perception of the aims to be achieved and means to be used to that effect. Therefore, in order to enable the economic integration process to be launched, competent bodies should be empowered to

take necessary steps towards the common objectives. And member States should translate into concrete actions, decisions taken by the community decision-making bodies.

78. Economic integration could not allow for national policies whose effects may oppose the attainment of subregional or regional objectives. If member States are really convinced of the gains to be derived from economic integration, the economic groupings will be enabled to propose and implement programmes and projects of relevance to common policies.

B. Lead role to be played by some countries in each subregion

79. If economic integration is to be set in motion, some countries have to show more dynamism than others in taking initiatives. Otherwise all countries will be waiting for the secretariats to make suggestions which may be opposed at a later stage. But if such suggestions emanate from a member State, they are likely to be more easily accepted by the others. The matter is not to make some countries feel more concerned than the others with the economic integration. But the European experience has shown that one or two countries can be the engine for economic integration, irrespective of their size. In the case of Africa, the determination of some countries should be based on concrete programmes to be implemented jointly by all concerned.

C. Proposals by informal groups of personalities for relaunching economic integration process in each subregion

80. We all know the influence on European unification of views disseminated by a few personalities profoundly dedicated to the idea of getting European countries closer to each other. Speaking in their own name and, in most of cases, in charge of no official duty, they could freely make bold proposals: they were not bound by any peculiar interest.

81. Africa needs to follow a similar approach with a view to spreading the very concept of economic integration and its potential gains. In order to be effective, this needs to be done at the subregional level: people are more familiar with the realities of smaller entities, and subregions are more homogeneous than the whole continent can be.

82. The groups of African personalities would meet with a view to making concrete proposals to be considered by economic groupings. The first step would, naturally, be a diagnosis of the status of economic integration in each subregion and identification of main hindrances to the economic integration.

83. Once those basic conditions are met, the economic integration process can be launched through the formulation and implementation in the medium-term of well-articulated multisectoral programme based on well-designed sequential actions inducing one another, namely:

(a) Rehabilitation of key community enterprises and liberalization of trade pertaining to their products within the community. For example, African countries continue to import from outside cement, fertilizers, iron and steel etc., while most of such products existing plants in Africa can supply

the market. The rehabilitation of African industrial plants requires their access to large markets. This would result in opening up new production lines and subsequent decrease in production costs due to economies of scale;

(b) Adoption and implementation of community food security plans. It was observed that in the same subregion one country can have food surplus, while others face deficit. Deficit countries would expect free-cost grain to be provided by the developed world, rather than buy crops from their neighbours. This clearly points to the need for a comprehensive food security programme at the subregional level, including storage and marketing policies. No collective food self-sufficiency could be, otherwise, achieved; and

(c) Reduction of customs duties levied on locally-produced key products traded among African countries, and protection of community economic activities by establishing common external tariff. The common external tariff must be a genuine one, in order to avoid trade diversion, to the detriment of some countries, due to significant differences in tariffs between countries.

84. Such measures should be complemented, in the long run, by common policies in selected areas, for example:

(a) Five-year community agricultural development programme;

(b) Community plan for the interconnection of electricity grids; and

(c) Realistic industrial development programme centred on basic industries, existing infrastructure, energy sources and subregional market.

VII. BUILDING UP ECONOMIC INTEGRATION FORCES WITHIN THE COMMUNITIES

A. Participation of all socio-economic groups in the economic integration process

85. Most (if not all) economic groupings in Africa have failed to involve socio-economic groups, while it is important to ensure that all groups of people who play a role in the socio-economic life of a subregion become actors of the economic integration process. If left out, they cannot orient their activities towards the achievement of the integration objective. They have to be involved at a very early stage, when programmes and projects are formulated, if not before. In this respect, one can but deplore that those groups who are supposed to be the primary beneficiaries of the economic integration have rarely a say in negotiations. It is, therefore, doubtful that they can feel concerned. But it is encouraging that their representatives more and more voice their quest for involvement. Such appeal can no longer be ignored and member States of economic groupings have to address it. In this respect, the economic groupings should seek the participation of federations of chambers of commerce, consulting firms, engineers' associations, industrialists' associations, large private investment companies etc.

B. Self-financing mechanism

86. The collection of assessed contributions mainly devoted to the operating expenses of the economic groupings is subject to increasing difficulties due to the financial crisis faced by many countries. But the activities of economic groupings should not confine to mere functioning whose cost is barely born by member States. Therefore economic integration process can be in motion only if operational programmes and projects are implemented. Unfortunately, very little amount of local resources is devoted to such activities, if any at all, in most cases operational activities are funded only by external sources.

87. In order to correct this situation, there is a need for autonomous resources to be made available directly to the economic groupings. There is a wide range of possibilities as far as the origin of such resources is concerned. It may be a given percentage of duties levied on goods traded within the subregion, a specific tax for economic integration purposes, a portion of duties levied on goods originating from outside the subregion etc. The important thing is that such resources should be identified as those of the economic groupings concerned; member States should have no bearing on them. The European experience shows how important a self-financing mechanism is and no significant progress towards economic integration can be achieved so long as economic groupings will not have at their disposal a regular and sufficient flow of resources.

VIII. MOVING TOWARDS SUPRANATIONALITY AT SUBREGIONAL LEVEL

88. No economic integration can be achieved without concessions from member States as regards part of their sovereignty. Such concessions are solely meant for the effectiveness of community bodies which would entail, inter alia, the following:

(a) Community decisions immediately enforceable in some critical areas. The rule of consensus tends to hinder the adoption and implementation of protocols and other decisions required for setting the economic integration process in motion. This needs to be corrected;

(b) Creation of a community executive body with extensive powers. The secretariats of many economic groupings are expressly or implicitly denied powers which are essential for discharging their duties efficiently;

(c) Creation of a community parliament. This would enable the public opinion and its representatives to monitor the economic integration process and, if need be, to orient the related action of governments towards the right direction;

(d) Building up of community institutions - economic groupings need to develop their activities through operational arms located outside their secretariats. This may concern higher learning institutions, technological research institutions etc.; and

(e) Adoption of a federal structure at the community level. This would be, at the ultimate stage, the type of relationship between member States required for efficient functioning of economic groupings.

IX. SETTING THE AFRICAN ECONOMIC COMMUNITY IN MOTION

89. The signing of the Treaty for the establishment of the African Economic Community would only mean that an important step towards the economic unification of the continent has been made. The more important task of launching the activities of the Community would then remain to be carried out. This could be centred on key elements to be promoted along the lines formulated in the draft treaty:

(a) Abolition of customs duties between the subregional economic groupings. This will gradually lead to the establishment of a continental free-trade area;

(b) Establishment of the African Economic Community common external tariff. This will be the sign that the African customs union is completed;

(c) Harmonization of sectoral policies and programmes at continental level:

(i) By developing subregional comparative advantages, which could lead to specialization at the continental level; and

(ii) Through continental projects in strategic areas (land transport equipment, telecommunications, computer science, etc.);

(d) Creation of a confederation of African economic communities.

90. Although the African Economic Community would have the essential power for accelerating the process of continental integration, the specificity of each subregion would continue to be recognized. The subregional economic communities would be transformed into subregional development organs. Another scenario to be also envisaged is the transformation of subregional economic communities into political federations. In this event, the African Economic Community would become at the final stage a confederation of African subregional federations.

X. CONCLUSION

91. African countries have taken steps during the last few years towards the implementation of the FAL. But at the same time the subregional economic groupings, which are supposed to be the pillars for the establishment of the African Economic Community, remain weak owing to institutional deficiencies and financial constraints. The activities of the African Economic Community cannot be successfully launched if the existing deficiencies of subregional economic groupings are not corrected. In this respect, African countries must renew their commitment by showing more political will than is the case at present.

92. Furthermore, the creation of the African Economic Community is intended to speed up the process of subregional economic integration. Indeed, during the first 25 years of its existence the African Economic Community will devote most of its activities to strengthening and harmonizing the operations of subregional economic groupings. The vitality and strength of the African Economic Community will, therefore, greatly depend on subregional economic groupings.